



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

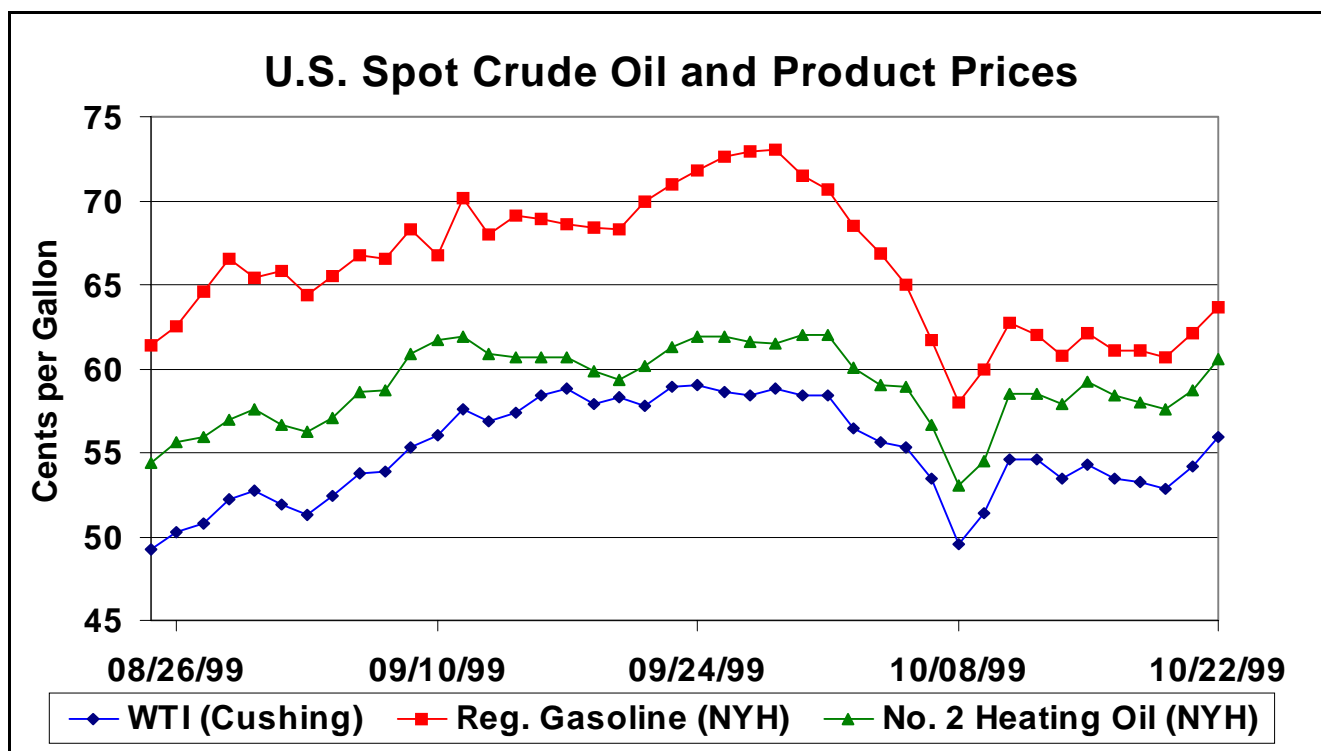
MARKET SUMMARY

Crude oil and petroleum product spot and futures prices drifted downward early last week, before firming on Thursday and Friday to post solid net gains for a second straight week. Through midweek, in the absence of significant news, markets focused on expiring NYMEX crude oil and expected stockbuilds. The late-week rise was largely brought on by public statements from a number of large OPEC and non-OPEC producers about the possible extension of output cuts beyond March 2000.

Crude oil - prices softened slightly through Wednesday's expiration of the November NYMEX futures contract, further weakened by expectation, then confirmation, of a stockbuild for the week ending October 15. Upward pressure in the last half of the week came from an Amsterdam meeting involving major producers, followed by a series of comments from oil ministers supporting output cuts through June 2000 or beyond. The shutdown both of three Mexican ports due to weather, and of a North Sea production field due to a gas leak, added further support by Friday, pushing WTI back above \$23 per barrel.

Gasoline - having fallen into its out-of-season price pattern by early October, largely followed crude price movements last week. Refinery operations were mixed, as Marathon Ashland's Minnesota refinery returned from turnaround, but the Hovensa facility on St. Croix reduced throughput due to Hurricane Jose. Gasoline stocks fell slightly during the week ending October 15, but stood only 2 million barrels lower than a year ago.

Distillate - prices moved in parallel with crude oil, as solid autumn demand continued. Mixed inventory reports for the previous week left stocks in the middle of their seasonal range, though 7 million barrels below year-ago levels.



CHRONOLOGY OF RECENT MARKET EVENTS

- 10/22 - rising** - all prices rose for a second day, pushing WTI spot and futures over \$23 per barrel for the first time in over two weeks, on expanding producer support for extending output cuts. Additional support came from the weather-related closing of another Mexican port, and from the shutdown of a North Sea oilfield due to a gas leak.
- 10/21 - rising** - prices closed higher marketwide, despite late profit-taking, amid further statements from producing countries on extending output cuts through the second quarter of 2000. Two Mexican oil ports remained closed for a third day due to bad weather.
- 10/20 - mixed** - crude oil spot and expiring November NYMEX futures prices eased slightly, while products finished higher, both impacted by the weekly API and EIA supply reports. Crude futures for December and beyond rose, supported a statement from the Saudi Arabian oil minister that producers could continue current output levels beyond March 2000 if conditions warrant.
- 10/19 - falling** - spot and futures prices fell modestly ahead of the weekly API and EIA supply reports and Wednesday expiration of the November NYMEX crude oil futures contract. Expectations of a crude oil stockbuild overshadowed support from a reported meeting including OPEC and Mexican oil officials in Amsterdam.
- 10/18 - falling** - all prices ended lower, largely reversing Friday's increases, despite a lack of significant news. NYMEX crude oil prices briefly exceeded \$23 per barrel, before falling back in profit-taking. Marathon Ashland announced the restart of its Minnesota refinery after a month-long maintenance shutdown.
- 10/15 - rising** - crude and product prices posted gains in pre-weekend shortcovering, aided by extension of a Russian export ban and forecasts of coming colder weather. A number of refinery problems and a pipeline fire this week have helped lift product prices.
- 10/14 - falling** - prices moved lower across the board in profit-taking, after upward momentum stalled following early-week gains. The weekly EIA supply report, delayed due to Monday's holiday, closely paralleled the API data, providing no further support.
- 10/13 - mixed** - futures and most spot prices rose for a third straight day, lifted by a larger-than-expected crude oil stockdraw in API's weekly supply report. (EIA's report was delayed a day due to Monday's Federal holiday.) Problems at Chevron's Mississippi refinery and concern over Tropical Storm Irene had relatively small impacts on markets.
- 10/12 - rising** - a second day of "bargain-hunting" from recent lows struck last week pulled petroleum spot and futures prices higher. Despite a lack of market-moving news, prices have rebounded to reverse a significant portion of the previous week's losses, seemingly seeking an equilibrium level.